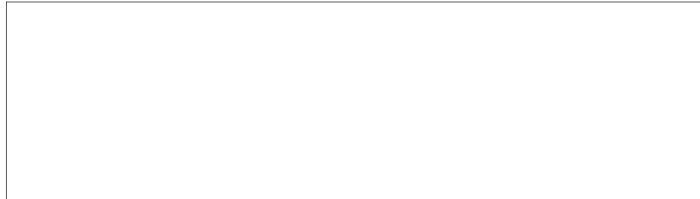


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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
11 June 1954

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TO: Deputy Director (Intelligence)
SUBJECT: Status of Iranian Oil Negotiations*

1. Progress toward arrangements for the production and marketing of Iranian oil has slowed markedly in the past week. The consortium members appear to have reversed, or at least seriously qualified, their earlier acceptance of the agency concept as a way of defining the consortium's relationship to the Iranian government.

2. The consortium principals, meeting in London, apparently believe that they cannot operate under an agency contract unless the relationship is qualified beyond the usual concept of such an understanding. They particularly request that the proposed contract state plainly that the consortium would act as agent for Iran, but only in the sense and to the extent specifically provided for in the contract. Provisions for management by the consortium and supervision by the Iranians would be unaffected by the "agency" relationship. The consortium feels that a clear-cut grant of effective management control is imperative.

3. By way of explaining the apparent reversal in the position of the consortium principals, Hoover believes that the American principals have become increasingly concerned

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State Dept. review completed

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about the durability of any agreement after talking with the negotiating team in London. They have told him that "no matter what the nature of the deal, when the Iranians feel that they don't need us any more they will kick us out."

4. Ambassador Henderson apparently believes that it is possible to draft a contract specifying the agency relationship in the sense desired by the consortium principals, yet acceptable to Iran. He says, however, that the addition of a direct qualification, such as an agency relationship only in the "sense and to the extent specifically provided for in the contract," would probably, in the opinion of the Iranian negotiators, approach nullification of the agency concept. Even if such a qualified agreement were negotiated and approved by the Majlis, Henderson and Hoover fear that it would not be lasting.

HUNTINGTON D. SHELDON
Assistant Director
Current Intelligence



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